



Domestic Manufacturers Committee

To Preserve, Support, and Promote Hosiery Manufacturing in the United States

The DMC is a committee within The Hosiery Association

July 8, 2005

Mr. Jim Leonard
Chairman of the Committee for Implementation of Textile Agreements
Room 3000 Department of Commerce
14th and Constitution NW
Washington, DC 20230

Dear Mr. Leonard:

The U.S. Domestic Manufacturers Committee (DMC) of The Hosiery Association, hereby files this petition requesting that the Committee for the Implementation of Textile Agreements (CITA) re-impose a textile safeguard limit with respect to sock imports from China, under the procedures set forth in Federal Register notice 03-12893 as provided for by the Report of the Working Party on the Accession of China to the World Trade Organization (WTO). The DMC represents domestic sock manufacturers, which account for most of the domestic sock production in the U.S. We are joined in submitting this petition by the American Manufacturing Trade Action Coalition, which represents domestic sock manufacturers, and representatives of the yarn suppliers to the sock industry, the National Council of Textile Organizations and the National Textile Association.

PRODUCT DESCRIPTION

The subject of this petition is cotton, wool, and man-made fiber socks, merged category 332/ 432 and 632/part, which are imported from China. The specific HTS numbers involved are 6115910000, 6115926000, 6115929000, 6115936010, 6115936020, 6115939010, 6115939020, 6115991410, 6115991420, 6115991810, and 6115991820. The domestic sock industry is the largest remaining sector of the U.S. apparel industry.

QUANTITATIVE RESTRICTION REQUEST FOR THREAT OF MARKET DISRUPTION

CITA is hereby requested to take all appropriate steps in order to avoid market disruption with respect to the subject products when the current safeguard limit expires on October 28, 2005. In the absence of a safeguard limit, the U.S. market will experience a substantial increase of sock imports from China. The imminent threat of substantial increases in imports of the subject products from China will impede the orderly development of trade in the subject products.

The enormous size of the current safeguard limit on sock imports from China (42.5 million dozen pair) was caused by China's deliberate surge in sock shipments to the U.S. in the 14 months prior to the U.S. request to China for consultations regarding sock imports on October 29, 2004. Threat of further market disruption is inherent in the following indicators:

1. Sharp upward trend line in Chinese sock exports to the U.S., despite the existence of a sock safeguard limit.
2. Declines in U.S. sock production and employment.
3. The enormous increase in new sock mill capacity in China in 2004 and 2005, as demonstrated by China's 53% increase of sock exports to the world for only the first 4 months of 2005 (150.6 million dozen pair over 98.3 million dozen pair for the first 4 months of 2004).

4. China's undisciplined and disorderly front loading of sock shipments to the U.S. under the current safeguard limit, whereby China filled its entire 12 month sock quota in 6 ½ months and thus maximized market disruption for our domestic sock producers. China's refusal to maintain the electronic textile visa system also contributed to the disorderly and disruptive trade in socks from China to the U.S. Huge sock shipments continued to arrive at U.S. ports even after the embargo was imposed on May 12, 2005.
5. Downward trend in average unit value (per dozen pair) of Chinese sock imports from \$4.08 in 2004 to the current YTD April 2005 Chinese price of \$3.89. The equivalent current YTD April 2005 price from the "rest of the world" is \$5.50. Further, there is an ominous potential for further Chinese sock price reductions if necessary, which is demonstrated by the big gap between China's current price of \$3.89 to the U.S. - and China's reported average price per dozen pair for exports to the world of \$2.81, YTD April 2005.

It is clear that one twelve-month safeguard has not been sufficient to deal with the serious market disruption that Chinese sock imports have caused, and threaten to cause in the U.S. sock market. Absence of the safeguard limit will unleash a flood of uncontrolled, subsidized Chinese sock imports into the U.S. market.

QUANTITATIVE RESTRICTION REQUEST FOR MARKET DISRUPTION

Imports of socks from China are, due to market disruption, threatening to impede the orderly development of trade in these products. Despite the belated establishment of a very high safeguard specific limit (42.5 million dozen pair) on Chinese sock imports on October 29, 2004, severe market disruption continued through 2004 and worsened in the first 4 months of 2005. Rapidly increasing sock imports from China and the world, declining U.S. production, and sharply falling unit value of imports from China are all evident. China has demonstrated no willingness or ability to take reasonable steps to avoid unnecessary market disruption in the United States. It is clear that one twelve-month safeguard has been insufficient to deal with the serious market disruption that Chinese sock imports have caused in the U.S. sock market. Absence of a safeguard limit after the current safeguard expires will unleash a flood of uncontrolled, subsidized Chinese sock imports into the U.S. market.

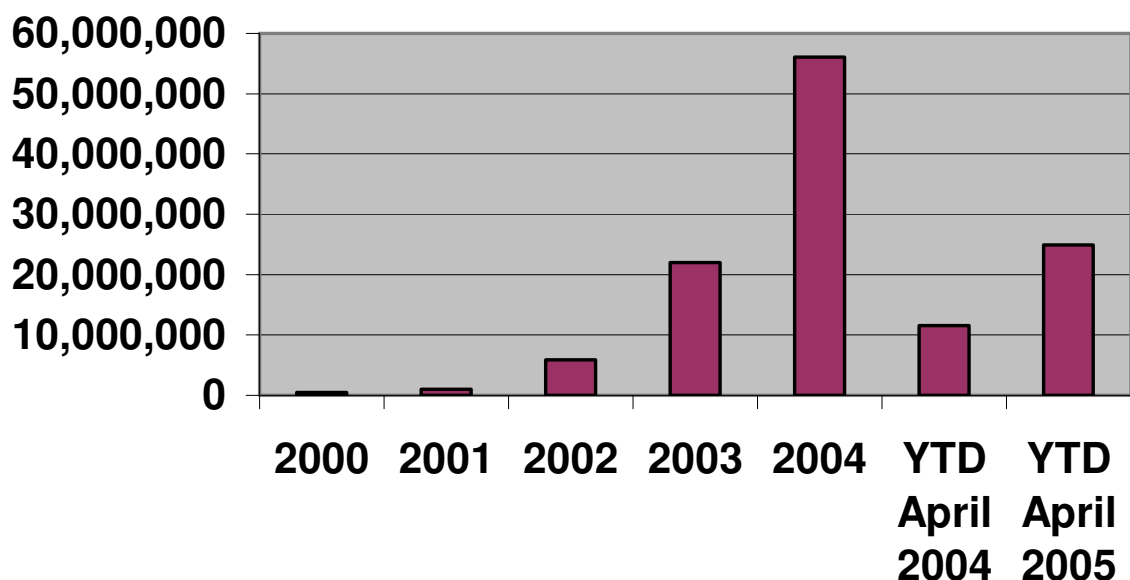
The enormous size of this October 2004 specific limit was caused by China's deliberate surge in sock shipments to the U.S. in the 14 months prior to the U.S. request to China for consultations regarding sock imports. Market disruption is inherent in the following indicators:

1. Sharp upward trend line in Chinese sock exports to the U.S. despite the existence of a sock safeguard limit.
2. Declines in U.S. sock production and employment.
3. The enormous increase in new sock mill capacity in China in 2004 and 2005, as demonstrated by China's 53% increase of sock exports to the world for only the first 4 months of 2005 (150.6 million dozen pair over 98.3 million dozen pair for the first 4 months of 2004).
4. China's undisciplined and disorderly front loading of sock shipments to the U.S. whereby China filled its entire 12 month sock quota in 6 ½ months and thus maximized market disruption for our domestic sock producers.
5. Downward trend in average unit value (per dozen pair) of Chinese sock imports from \$4.08 in 2004 to the current YTD April 2005 Chinese price of \$3.808. The equivalent current YTD April 2005 price from the "rest of the world" is \$5.50. Further, there is an ominous potential for further Chinese sock price reductions if necessary, which is demonstrated by the big gap between China's current price of \$3.808 to the U.S. - and China's reported average price per dozen pair for exports to the world of \$2.81, YTD April 2005.

Sock industry insiders report that China has the capacity for, and planned to ship well over 100 million dozen pair of socks to the U.S. in 2005. Despite the imposition of a safeguard quota on socks exports to the U.S. in October 2004, Chinese sock shipments to the U.S. nevertheless increased exponentially in 2004 and early 2005.

U.S. SOCK MARKET DATA IN GRAPHS

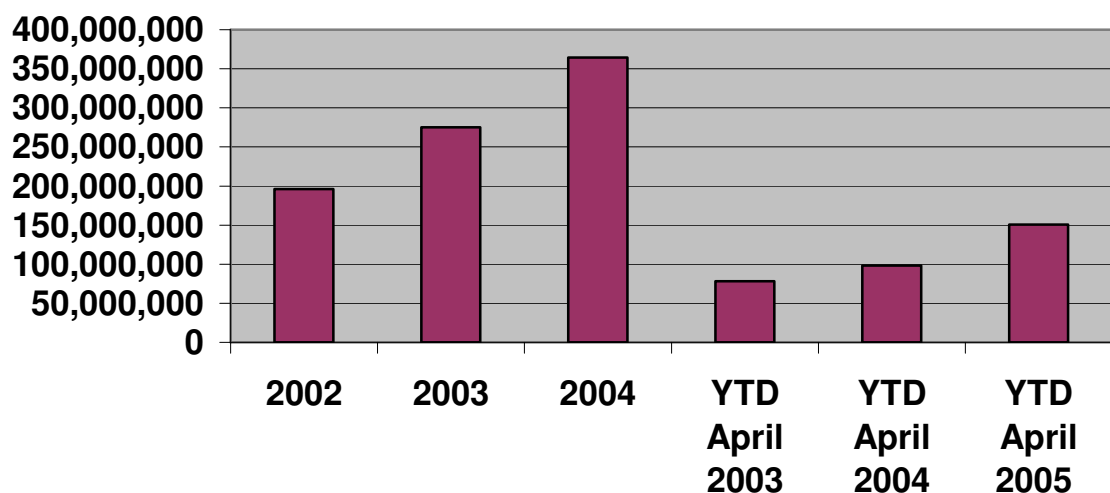
U.S. Sock Imports from China - Dozen Pair



Source –OTEXA Website – <http://www.otexa.ita.doc.gov/>.

The size and rate of increase of China's subsidized sock exports to the world also convincingly demonstrate market disruption and/or the enormous threat of immediate and severe market disruption in the U.S. in the absence of a specific limit on sock imports from China. Just in the first 4 months of 2005 alone, China exported over 150 million dozen pair of socks to the world, an increase of 53% over the same period in 2004.

China Sock Exports to the World - Dozen Pair



Source: World Trade Atlas - China Customs statistics for product codes 611591, 611592, 611593, and 611599.

While no specific statistics on capital investment in the Chinese sock industry have been found, these statistics

are part of the overall capital investment statistics for the Chinese textile and apparel industry, whose already huge capacity was increased by at least 71% in 2004.

**China: Fixed Asset Investment in the
Textile & Apparel Industry (Bil US\$)**

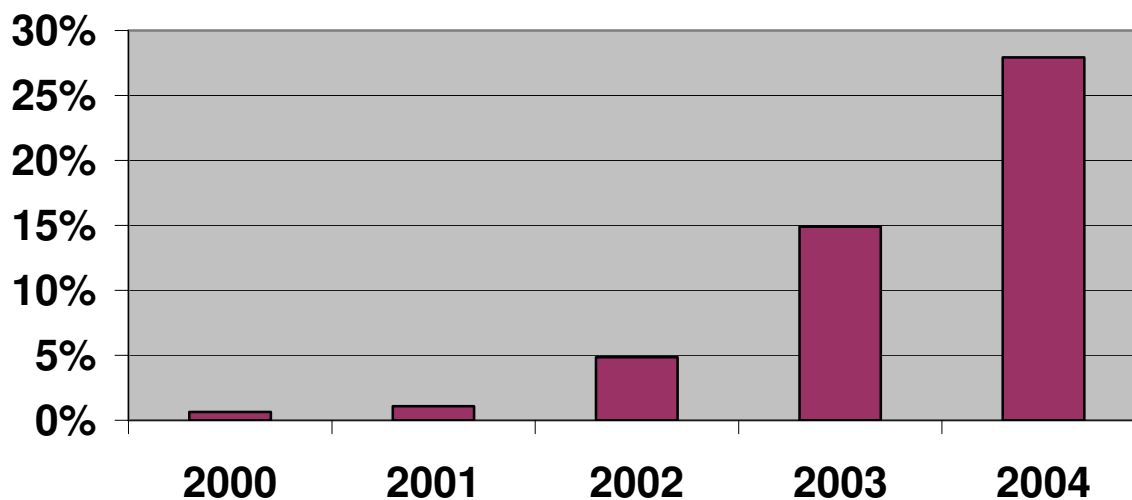
Cumulative Annual Total

	Amount	% Change
1999	\$1.64	---
2000	\$2.48	51.2%
2001	\$3.55	42.9%
2002	\$4.35	22.4%
2003	\$7.24	66.7%
2004	\$12.39	71.3%
1st Quarter 05	\$2.23	32.1%
Jan. 2001-March 2005	\$29.76 Billion	

Source: State Development Planning Commission, National Bureau of Statistics of China and SIC.

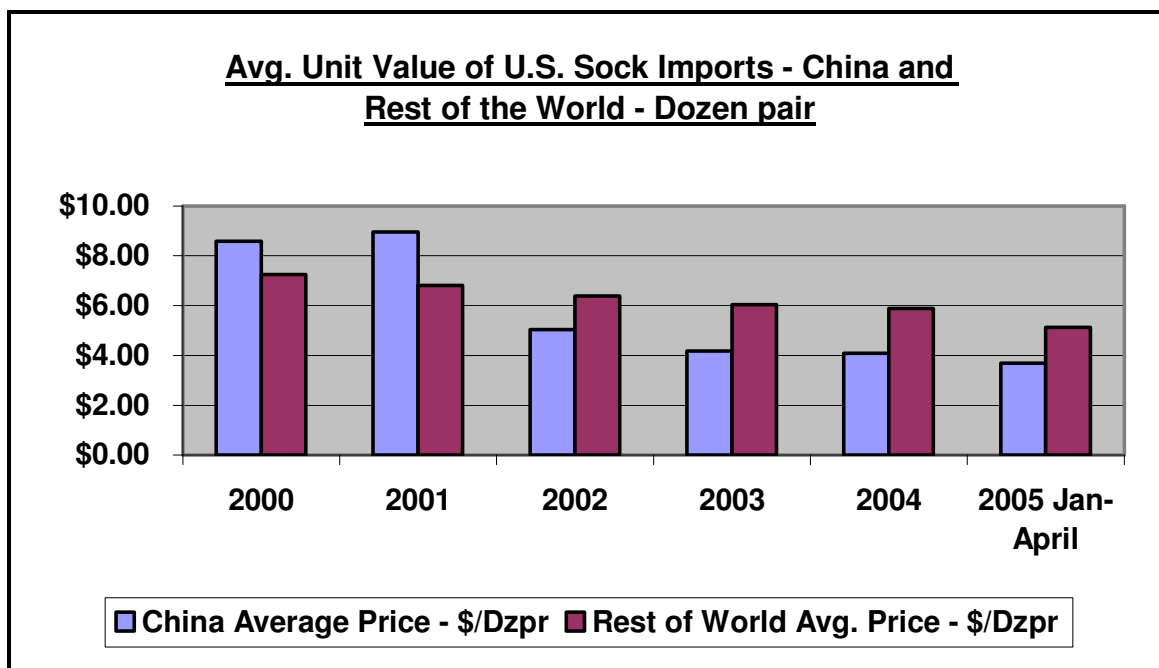
Over the last three years as sock imports from China have soared, U.S. production has declined steadily, sock prices have declined sharply, and sock plant closings have multiplied. U.S. sock imports from China have skyrocketed from less than 1 million dozen pair in 2001 to 22 million dozen pair in 2003 and 56 million dozen pair in 2004. China's share of the U.S. sock import market has ballooned from about 1% in 2001 to about 15% in 2003 and 28% in 2004. China's share has continuing to increase in the 1st quarter of 2005 to 31%.

Chinese Share of U.S. Sock Imports



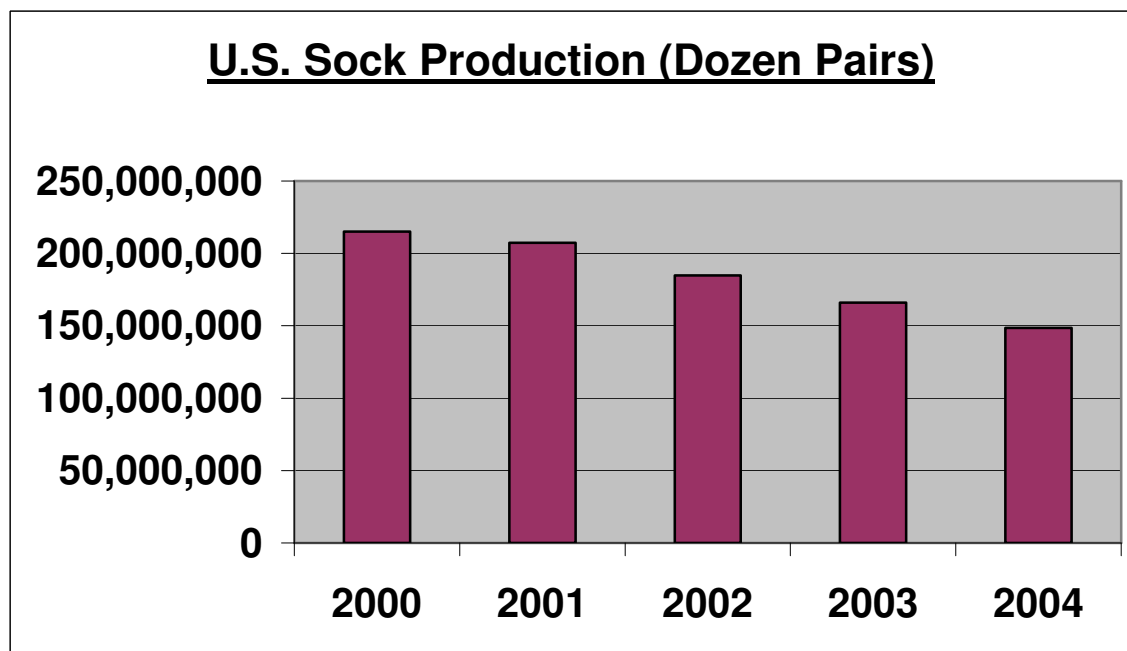
Source: OTEXA Website – <http://www.otexa.ita.doc.gov/>

At the same time, the average market price of socks, as measured by the average unit value of sock imports from China, has collapsed from \$8.96 a dozen pair in 2001 to \$4.17 a dozen pair in 2003, to \$4.08 in 2004, and to \$3.81 in the 1st quarter of 2005. Meanwhile, the average unit value of U.S. imports from all other sources has gone from being roughly 20% below the China price in 2000 and 2001 to 44% above the China price in 2004.



Source: OTEXA Website – <http://www.otexa.ita.doc.gov/>.

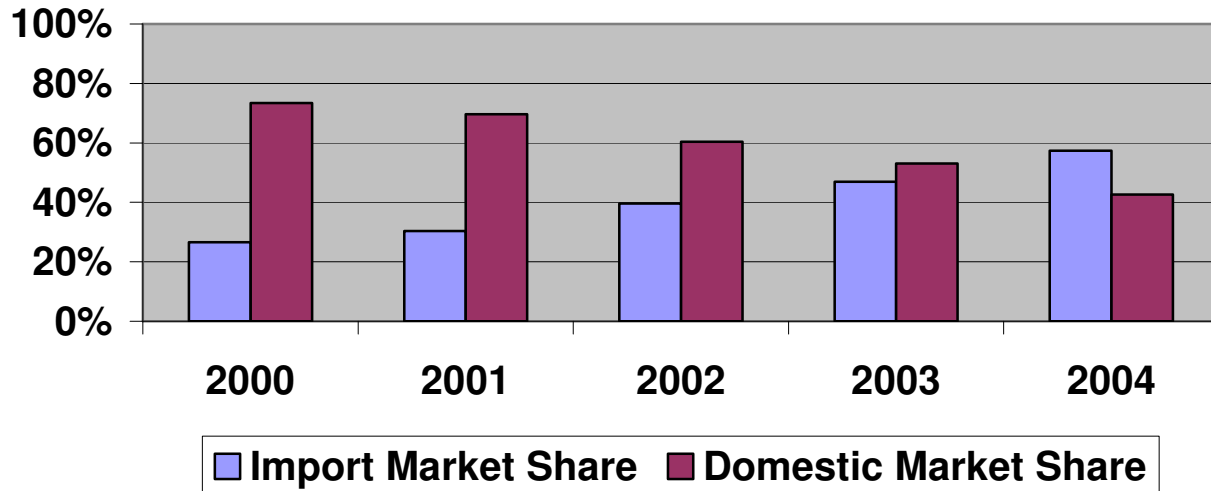
In addition to this downward price pressure, U.S. domestic sock production has declined from 207 million dozen pair in 2001 to 166 million dozen pair in 2003, as described in our petition of June 28, 2004, to 149 million dozen in 2004, according to U.S. Census Bureau statistics.



Source: Domestic Manufacturing Committee of the THA for 2000-2003, and U.S. Census Bureau for 2004.

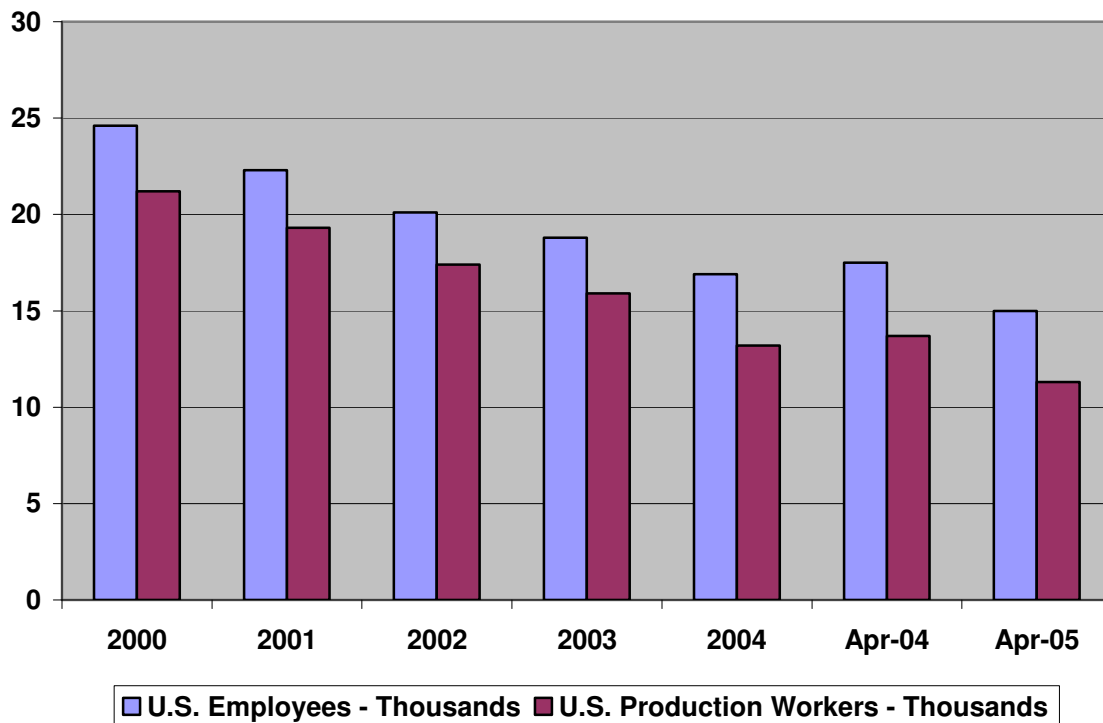
U.S. market share for domestic producers has fallen from 69.7% in 2000 to 53.1% in 2003 and accelerated downward to 42.59% in 2004. And U.S. domestic sock production employment has declined from 19,300 in 2001 to 15,900 in 2003, to 13,200 in 2004, and to 11,300 in April 2005. See graphs and charts to follow.

Domestic and Import Sock Market Shares



Source: OTEXA Website – <http://www.otexa.ita.doc.gov/>, Domestic Manufacturing Committee of the THA, and U.S. Census Bureau

U.S. Sock Industry Employment



Source: U.S. Department of Labor - Bureau of Labor Statistics, www.bls.gov. National Employment Statistics for Other Hosiery and Sock Mills.

U.S. SOCK IMPORT DATA: World / China Sock Imports and China Share of Imports:

Note that world imports were up 122.2% from 2001 to 2004, while China imports soared by 5,576.7%.

All quantities are in dozen pairs.

Annual and 1st Qtr Data	2000	2001	2002	2003	2004	1st Qtr 2004	1st Qtr 2005
World	77,887,348	90,157,486	121,402,935	146,939,803	200,363,052	37,913,226	49,922,817
China	503,647	985,619	5,874,407	21,877,024	55,950,612	7,934,962	15,492,638
China Share	0.65%	1.09%	4.84%	14.89%	27.92%	20.93%	31.03%

Year-to-Date Data	YTD April 2004	YTD April 2005
World	51,779,516	70,865,833
China	11,549,004	24,898,933
China Share	22.30%	35.14%

Source – U.S. Department of Commerce, Office of Textiles and Apparel (OTEXA) Website - <http://www.otexa.ita.doc.gov/>.

CHINA SOCK EXPORTS TO THE WORLD – Dozen Pairs

	2002	2003	2004	YTD 4/03	YTD 4/04	YTD 4/05
China Exports	196,110,463	275,070,154	364,365,426	78,188,433	98,288,689	150,567,134
% Change	--	40.26	32.46	--	25.71	53.19

Source: World Trade Atlas publication of China Customs Statistics. Hosiery product codes 611591, 611592, 611593, and 611599.

DOMESTIC SOCK PRODUCTION AND MARKET SHARE DATA - Dozen Pairs

To the best of our knowledge, the data represent substantially all of the domestic production of the like or directly competitive product(s) of U.S. origin.

	2000	2001	2002	2003	2004
U.S. Production	214,968,000	207,321,337	184,820,316	166,055,894	148,630,000
% Change	2.48%	-3.56%	-10.85%	-10.15%	-10.49%
Imports	77,877,348	90,157,486	121,402,935	146,939,803	200,363,052
Domestic Market	292,845,348	297,478,823	306,223,251	312,995,697	348,993,052
Import Market Share	26.59%	30.31%	39.65%	46.95%	57.41%
Chinese Market Share	0.17%	0.33%	1.92%	6.99%	16.03%
Domestic Market Share	73.41%	69.69%	60.35%	53.05%	42.59%

Source for import data – OTEXA Website <http://www.otexa.ita.gov/>. For domestic sock production in 2004 -the U.S. Census Bureau. For domestic sock production during 2000-2003, see The Hosiery Association survey of hosiery manufacturing (Addendum 1 and 2).

DOWNWARD PRICE PRESSURE IN U.S. SOCK MARKET

The U.S. wholesale market price of socks is under heavy downward price pressure. A key factor in this downward price pressure is the accelerating flood of subsidized and extremely low-priced socks from China sold to mass merchandisers. This results in an additional decrease in the price U.S. producers must sell for in the U.S. market and, of equal concern, a lower level of volume due to the impact of the new high volume, low-cost supply of socks coming in from China.

While Chinese prices seem extremely low, petitioners note that these low prices are being reported by both importing countries receiving the goods and by China, which exported the goods. A recent newspaper report highlighted Chinese industry concerns that price drops may have gotten out of hand.

“Major textile companies and organizations said a mechanism to control export prices should be set up to prevent malicious prices competition after quotas are removed in 2005. ... Export prices of clothing have dropped by about 30 percent since five years ago. Price of shuttle-woven garment fell by 27 percent and those of knitwear by 33 percent, according to Xu Xiaochuan from the Sichuan Xinlixin Textile Company.

A senior official from the China Chamber of Commerce of Import and Export for Textiles echoed Xu, saying malicious price competition should be stopped because it merely invited international criticism and trade protectionism that would target the whole industry. . . . **To push exports up and pull in more foreign currency, many domestic companies run down their export business with fierce price cutting as they get more freedom with the gradual lifting of quotas.**

Textiles Warn of Price War Damage
China Textile Network Company, 8/23/04

While petitioners stress that they do not know how China can profitably make goods at such low prices, it should be noted that China is regularly accused of being both willing and able to sell goods at less than the cost of production in other countries and often below the cost of raw materials.

U.S. Sock Imports from China and Rest of the World - Unit Value in U.S. Dollars /Dozen Pair

	2000	2001	2002	2003	2004	2004 1 st Q	2005 1 st Q
Value of U.S. Imports from China	\$4,319,393	\$8,835,118	\$29,580,016	\$91,182,953	\$228,315,500	\$30,164,312	\$58,991,205
Quantity of U.S. Imports from China	503,647	985,619	5,874,407	21,877,024	55,950,612	7,934,962	15,492,638
China Average Price to U.S.	\$8.58	\$8.96	\$5.04	\$4.17	\$4.08	\$3.801	\$3.808
Rest of World Avg. Price to U.S.	\$7.24	\$6.81	\$6.38	\$6.04	\$5.88	\$5.94	\$5.50
China Average Price to World	--	--	\$2.57	\$2.60	\$2.80	--	--

	YTD April 2004	YTD April 2005
Value of U.S. Imports from China	\$42,633,004	\$92,008,373
Quantity of U.S. Imports from China	11,549,004	24,898,933
China Average Price to U.S.	\$3.691	\$3.695
Rest of World Average Price to U.S.	\$5.844	\$5.454
China Average Price to World	\$2.73	\$2.81

Source: OTEXA Website – <http://www.otexa.ita.doc.gov/> and World Trade Atlas publication of China Customs Statistics (Hosiery product codes 611591, 611592, 611593, and 611599)

Current wholesale sock prices from China are significantly lower than all other countries, including price quotes that can be achieved by knitting socks in the U.S. and finishing them offshore.

RAPID DECLINE OF U.S. SOCK MANUFACTURING COMPANIES IN 2002 - 2005

Company	City	State	Year	Jobs	Action
Robin Lynn's Airport Road Plant	Ft Payne	AL	2002	20	Facility Closed
Shirley's Hosiery Mill	Ft Payne	AL	2002	4	Facility Closed
Gold Toe Brands, Inc	Bally	PA	2002	290	Facility Closed
Sandstone Knitting	Burlington	NC	2002	45	Facility Closed
Mauney Hosiery	Kings Mountain	NC	2002	130	Facility Closed
Alba Waldensian	Valdese	NC	2002	500	Facility Closed
Beagle Brand Hosiery	Hickory	NC	2002	10	Facility Closed
Charleston Hosiery	Rainsville	AL	2002	120	Facility Closed
Renfro Corporation	Star	NC	2002	450	Facility Closed
Brown Wooten Mills	Burlington	NC	2002	308	Facility Closed
Hosiery Network, LLC	Hickory	NC	2002	75	Facility Closed
Sara Lee Hosiery	Yadkinville	NC	2002	200	Facility Closed
Sara Lee Hosiery	Winston-Salem	NC	2002	105	Employee Layoff
Sara Lee Hosiery	Rockingham	NC	2002	65	Employee Layoff
FlisCinKim	Ft Payne	AL	2003	30	Company Closed
Ramseur Knitting	Ramseur	NC	2003	75	Company Closed
Ann-Barrett Hosiery	Ft Payne	AL	2003	20	Company Closed
Sock Factory USA	Ft Payne	AL	2003	25	Company Closed
Blue Chip Hosiery	Ft Payne	AL	2003	60	Company Closed
Silver Cloud Leg wear	Concord	NC	2003	8	Company Closed
Carolina Casual Knitting	Hickory	NC	2003	10	Company Closed
Lutz Hosiery	Hickory	NC	2003	25	Company Closed
Randolph Knitting	Ramseur	NC	2003	55	Company Closed
Jon Scott Hosiery	Hickory	NC	2003	10	Company Closed
Wade Hosiery	Hickory	NC	2003	20	Company Closed
Foothills Hosiery	Connelly Springs	NC	2003	20	Company Closed
Classic Hosiery	Burlington	NC	2003	85	Company Closed
Crossroads Knitting	Claudeville	VA	2003	15	Company Closed
Efland Hosiery	Efland	NC	2003	75	Company Closed
Piedmont Industries	Connelly Springs	NC	2003	30	Company Closed
Gold Toe Brands, Inc	Newton	NC	2003	175	Facility Closed
Renfro Corporation	Pulaski	VA	2003	481	Facility Closed
Phantom USA	Wilkesboro	NC	2003	38	Facility Closed
Gateway Hosiery	Wilkesboro	NC	2003	40	Facility Closed
V. I. Prewett	Ft Payne	AL	2003	100	Employee Layoff
Sara Lee Hosiery	Winston-Salem	NC	2003	32	Employee Layoff
Harriss & Covington	High Point	NC	2003	60	Employee Layoff
Auburn Hosiery	Auburn	KY	2003	190	Employee Layoff
Locklear Hosiery	Ft Payne	AL	2003	84	Employee Layoff
Kentucky Derby Hosiery	Mt Airy	NC	2003	300	Employee Layoff
Americal Hosiery	2 NC facilities	NC	2003	170	Employee Layoff
Sara Lee Hosiery	Winston-Salem	NC	2003	22	Employee Layoff
Sara Lee Hosiery	Winston-Salem	NC	2003	41	Employee Layoff

Neuville Industries	Hildebran	NC	2003	75	Employee Layoff
Clayson Hosiery	Star	NC	2003	225	Employee Layoff
Brown Manufacturing, Inc	Marion	NC	2004	17	Facility Closed
Monarch Hosiery Mills, Inc	Burlington	NC	2004	136	Facility Closed
S&D Hosiery Mill	Locust	NC	2004	15	Facility Closed
Granville Hosiery	Oxford	NC	2004	32	Facility Closed
Longwear Hosiery	Hickory	NC	2004	35	Facility Closed
Jenn-Thom Hosiery	Hickory	NC	2004	15	Facility Closed
Dorado Socks	Gibsonville	NC	2004	45	Facility Closed
Tower Hosiery Mills	Burlington	NC	2004	350	Facility Closed
Hosiery Co. of N.C.	Burlington	NC	2004	29	Facility Closed
Cid Hosiery	Lexington	NC	2004	20	Facility Closed
Valley Knit	Fort Payne	AL	2004	140	Facility Closed
A-1 Hosiery	Fort Payne	AL	2004	40	Facility Closed
Kelly Hosiery	Fort Payne	AL	2004	27	Facility Closed
Wills Valley Hosiery	Fort Payne	AL	2004	12	Facility Closed
Bailey Knit	Fort Payne	AL	2004	59	Facility Closed
Sunrise Hosiery	Lafayette	GA	2004	20	Facility Closed
Abel Hosiery	Fort Payne	AL	2004	16	Company Closed
Brooks Hosiery	Fort Payne	AL	2004	105	Company Closed
American Hosiery	Fort Payne	AL	2004	20	Company Closed
Bill Guffey	Fort Payne	AL	2004	15	Company Closed
Black Diamond Hosiery	Fort Payne	AL	2004	35	Company Closed
L&L Knitting	Fort Payne	AL	2004	13	Company Closed
Locklear Hosiery	Fort Payne	AL	2004	45	Company Closed
Loman Finishing	Fort Payne	AL	2004	50	Company Closed
Whitener Hosiery	Hickory	NC	2004	20	Company Closed
Tri-Star Knitting	Fort Payne	AL	2004	10	Employee Layoff
Americal Hosiery	Henderson	NC	2004	95	Employee Layoff
Candor Hosiery Mills, Inc.	Troy	NC	2004	150	Employee Layoff
Southern Hosiery	Hickory	NC	2004	10	Employee Layoff
Clayson Hosiery	Star	NC	2004	275	Employee Layoff
Carm Newsome Hosiery	Fort Payne	AL	2004	32	Employee Layoff
Cooper Hosiery Mills	Fort Payne	AL	2004	88	Employee Layoff
Durham Manufacturing	Fort Payne	AL	2004	14	Employee Layoff
McKeehan Hosiery	Fort Payne	AL	2004	12	Employee Layoff
Southern Footwear	Fort Payne	AL	2004	17	Employee Layoff
Russtex Hosiery	Troy	NC	2005	18	Facility Closed
Charleston Hosiery	Biscoe	NC	2005	102	Facility Closed
Holt Hosiery Mills, Inc.	Willard	NC	2005	61	Facility Closed
Meyer's Industries	Hickory	NC	2005	50	Facility Closed
Comfo Hosiery	Henderson	NC	2005	28	Facility Closed
Teamwork Hosiery	Haw River	NC	2005	40	Facility Closed
Brandon Hosiery	Fort Payne	AL	2005	27	Company Closed
Blessing Seaming	Fort Payne	AL	2005	6	Company Closed

Blevins Hosiery	Fort Payne	AL	2005	10	Company Closed
Kilgore Hosiery	Fort Payne	AL	2005	30	Company Closed
USA Finishing	Fort Payne	AL	2005	159	Company Closed
Wills Valley Hosiery	Fort Payne	AL	2004	12	Company Closed
Wee Socks	Fort Payne	AL	2004	110	Company Closed
Pickett Hosiery	Burlington	NC	2005	40	Employee Layoff
Renfro	Mount Airy	NC	2005	280	Employee Layoff
Southern Hosiery	Hickory	NC	2005	21	Employee Layoff
Ben Mar Hosiery	Fort Payne	AL	2005	23	Employee Layoff
Alabama Footwear	Fort Payne	AL	2005	13	Employee Layoff
Burtex	Fort Payne	AL	2005	36	Employee Layoff
C&W Hosiery	Fort Payne	AL	2005	20	Employee Layoff
Crossroads	Fort Payne	AL	2005	32	Employee Layoff
DMB Hosiery	Fort Payne	AL	2005	25	Employee Layoff
EMI-G Knitting	Fort Payne	AL	2005	25	Employee Layoff
Finishing Touch	Fort Payne	AL	2005	25	Employee Layoff
Fort Payne Socks	Fort Payne	AL	2005	21	Employee Layoff
Johnson Hosiery	Fort Payne	AL	2005	78	Employee Layoff
Locklear Manufacturing	Fort Payne	AL	2005	31	Employee Layoff
Plainsman Hosiery	Fort Payne	AL	2005	15	Employee Layoff
V.I. Prewett	Fort Payne	AL	2005	113	Employee Layoff
Smothers Hosiery	Fort Payne	AL	2005	8	Employee Layoff
WR Hosiery	Fort Payne	AL	2005	30	Employee Layoff
Smith Hosiery	Fort Payne	AL	2005	30	Employee Layoff

Source: Compiled by the Domestic Manufacturing Committee of The Hosiery Association and AMTAC

The previous chart dramatically shows job losses that have occurred in this industry in the past 3 1/2 years. Since the start of 2003, there have been 32 sock company closings, 26 facility closings and 40 plant layoffs. This does not include the job losses incurred by suppliers to the sock industry. It is no longer a matter of reducing labor to stay in business; the companies are forced to close. This trend is continuing in 2005 with 13 sock manufacturing facilities shut down and employee layoffs at 19 more companies.

U.S. SOCK EMPLOYMENT:

Thousands of Employees (Not Seasonally Adjusted)

Thousands of Production Workers (Not Seasonally Adjusted)

	2000	2001	2002	2003	2004	April 2004	April 2005
U.S. Employees	24.6	22.3	20.1	18.8	16.9	17.5	15.0
U.S. Production Workers	21.2	19.3	17.4	15.9	13.2	13.7	11.3

Source: Data collected from the U.S. Department of Labor – Bureau of Labor Statistics website, www.bls.gov. Other Hosiery and Sock Mills. Specifically, data for U.S. Employees (Series ID CEU3231511901) and U.S. Production Workers (Series ID CEU3231511903) is found under the “National Employment, Hours and Earnings” section.

ADDITIONAL FACTORS: UNFAIR TRADE PRACTICES AND CHINESE GOVERNMENT SUPPORT

Petitioners supply the following additional information on the Chinese government's active support, planning and participation in the Chinese textile and apparel industry. As noted in the original petition, China considers textiles and apparel a "pillar industry" for the nation and China's textile and apparel industry is managed through Five-Year Plans, and the Tenth Five-Year Plan concludes in 2005¹. Specific goals and objectives included in the Tenth Five-Year Plan help to demonstrate the importance of the sector to the Chinese government and its determination to guide and develop the sector, which today is China's foremost provider of foreign earnings².

China's government notes that China is now in the third of three major phases planned for its textile and apparel sector. These include 1) Initial Development (1979-1991); 2) Rapid Development (1992-95) and 3) Adjustment and Upgrading (1996-present).

The Tenth Five-Year Plan contains objectives for all aspects of the textile and apparel sector. These include:

1. Annual growth rate
2. Industrial value growth rate
3. Growth rate for foreign exchange to be earned
4. Proportionate growth for different textile and apparel sectors
5. Labor productivity growth
6. Energy consumption
7. Water consumption
8. Renovation and upgrade of the cotton spinning sector
9. Renovation and upgrade of the wool yarn and weaving sector
10. Renovation and upgrade of the silk and linen sector
11. Renovation and upgrade of the knitted textile sector
12. Renovation and upgrade of the chemical fibers sector
13. Renovation and upgrade of the industrial textile sector
14. Renovation and upgrade of the industrial textile machinery sector
15. Renovation and upgrade of the dyeing and finishing sector
16. Renovation and upgrade of the apparel sector, including the expansion of exports and development of branded and children's apparel.

The Chinese plan notes that in 2000, 46 percent of industry assets were state-owned enterprises and state-owned holdings company assets, totaling \$452 billion yuan, and that 31 percent of all state-owned enterprises operated at a loss.

Regarding specific unfair trade practices, China is believed to engage in a variety of unfair trade practices which have made it impossible for the U.S. industry, as well as industries around the world, to compete with China. These practices include currency manipulation, subsidization of its state-owned textile and apparel companies, subsidization of textile and apparel ventures for export, proliferation of non-performing loans, the use of export tax rebates and the like.

Three years after entering the WTO, China continues to refuse to notify its subsidies, despite a clear requirement by Article 25 of the WTO to do so. The U.S. government recently noted at the WTO that "information available to the United States indicates that China administers programs that may provide subsidies contingent upon export performance."³

¹ "Industry Overview: The Tenth Five-Year Plan of the Textile Industry and its Development", BizChina, 11/18/2004.

² The Chinese Plan noted that during the Ninth Five-Year Plan the "accumulative textile and apparel exports numbered US\$221.5 billion; its net foreign-exchange income was US \$170 billion, which made the textile industry the major industry of foreign-exchange earnings.

³ G/SCM/Q2.CHN/9: Request from the United States to China, 10/6/04.

Included in the Tenth Five-Year Plan issued by the State Textile Industrial Bureau are instructions to textile and apparel industries to reduce imports of fabrics and to expand fabric exports. In its submission, the U.S. government noted that China provides assistance to its textile sector “in connection with the manufacturing of raw materials, the financing of mill establishments and the purchase and selling of raw materials.”⁴

In addition, the United States raised concerns about numerous non-textile specific subsidies. These subsidies included the use of favorable bank terms for “honourable enterprises” which target export industries, export-contingent tax incentives for foreign-invested enterprises (FIEs), income tax refunds for foreign investors in export-oriented businesses, income tax reductions equal to 50 percent for FIE’s in export-oriented businesses, VAT refunds for imported capital equipment used for export-oriented businesses, grants by individual provinces for export-oriented industries and continued subsidies for state-owned enterprises which are running at a loss⁵ and subsidies for coal and oil supplied to Special Industrial Sectors (such as textiles and apparel).

In addition, the U.S. government cited an agreement by China under its WTO accession terms to run state-owned banks “on a commercial basis.” However, actions by China last year to inject \$45 billion into the Bank of China and the China Construction Bank because of non-performing loans, primarily to China’s manufacturing and construction sectors, run counter to that promise.

ADDITIONAL FACTORS: DISPARITY OF MARKET ACCESS CONDITIONS

The home field advantage for the U.S. domestic sock industry is compromised by the high degree of concentration in the retail end of the U.S. sock market. Huge low-price retailers dominate our retail market, and often employ worldwide reverse-bid auctioning on the Internet to solicit low bid sock contracts. Thus with a very few successful bids, through reverse-bid auctioning, foreign manufacturers can gain access to the majority of the U.S. market with ease. No such facilitation in the retail sector is available to U.S. sock exporters in China. The top 3 sock retailers account for 52% of the U.S. sock market, according to NPD Fashionworld Market Analysis for September 2002-August 2003.

The majority of the U.S. sock industry is comprised of small family owned businesses that want to stay within their respective communities. The infrastructure of these communities is dependent on these sock companies.

Lastly, but not least, the domestic sock industry and its direct value chain, provides employment to over **50,000** people in this country. According to a 2003 study conducted by Center for Economic Development and Business Research at Jacksonville State University, in Dekalb County, Alabama alone, 11,580 sock industry-related jobs made up 35% of total payroll in the county. The jobs provided sales revenue of \$386 million in 2003, and tax revenue of \$12.8 million. Between February 1, 2003 and February 1, 2005, Fort Payne AL lost 1822 sock manufacturing jobs, according to a survey taken by the Domestic Manufacturing Committee of the THA.. Taking into account the job multiplier factor for each manufacturing job, another 4000 jobs in Fort Payne were lost or severely degraded due to the loss of these sock manufacturing jobs.

⁴ Ibid.

⁵ China committed to end these subsidies as part of its accession agreement and reported that all had been terminated as of 2002. However, recent Chinese government reports indicate that these subsidies are still in place and that money losing enterprises continue to be supported. This includes a report that 47 percent of state-owned enterprises in the textile sector are running at a loss.

Decisive action must be taken now by the federal government, to implement and enforce the terms of the U.S. – China WTO Accession Agreement, or we will lose most, if not all of our domestic sock manufacturing industry.

Sincerely,



Charles Cole
Chairman
Domestic Manufacturers Committee
The Hosiery Association



George Shuster
Co-Chairman
American Manufacturing Trade Action Coalition



James W. Chesnutt
Chairman
National Council of Textile Organizations



Karl Spilhaus
President
National Textile Association